

VILLAGE OF ONEKAMA
MANISTEE COUNTY, MICHIGAN

AUDIT REPORT WITH REQUIRED
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED FEBRUARY 29, 2008

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HARRIS GROUP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Onkama
Onkama, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onkama, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Onkama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onkama, Michigan, as of February 29, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008, on our consideration of the village of Onkama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 24 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Onkama's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 22, 2008

VILLAGE OF ONEKAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

Overview of the Financial Statements

The Village of Onekama's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

This report includes government-wide statements as required by GASB Statement Number 34. The government-wide financial statements are designed to provide the reader with a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. These statements are presented using a method of accounting that is similar to a private sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Village include a sewer service.

Management's Discussion and Analysis – Continued

Revenues by major source compared to last year are as follows:

	2007 – 08	2006 - 07
Governmental Activities:		
Property Taxes	\$ 99,089	\$ 77,700
State-Shared Revenues	101,191	101,315
Total Revenues	227,343	209,696
Business-Type Activities:		
Charges for Services (Sewer)	136,132	177,719
Capital Grants	-	165,100

Expenditure by Function with Prior Year Expenses:

	2007 – 08	2006 - 07
Governmental Activities:		
General Government	\$ 75,601	\$ 76,837
Public Safety	1,416	1,493
Public Works	104,829	100,095
Community and Economic Development	9,690	1,273
Recreation and Culture	18,656	19,555
Total	210,192	199,253
Business-Type Activities		
Sewer	\$ 296,349	\$ 214,086

Fund Financial Statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories – governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and use of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing

Management's Discussion and Analysis – Continued

this, readers may better understand the long-term impact of the government's short-term financing decisions. The governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balance for the General Fund, Major Street Fund and Local Street Fund, which are considered to be major funds. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The Village has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among Village's various functions. The Village uses its internal service fund to charge the costs of equipment used to the individual funds. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements

The Notes to the basic financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The Notes can be found beginning on page 15 of this report.

Government-Wide Financial Analysis

For the fiscal year ending February 29, 2008 net assets of the village decreased by \$ 128,260 to \$ 4,060,397. This is largely due to the completion of the sewer upgrade project. The last two bonds from the initial sewer project were paid off early reducing our debt.

Fund Financial Analysis

For the fiscal year ending February 29, 2008, the fund balance of the general fund decreased by \$ 12,509 to \$ 268,579. The major street fund decreased by \$ 712 to \$ 26,894. The local street fund balance increased by \$ 5,755 to \$ 44,265. Major and local streets fund balances decreased due to extensive repairs and replacements. The non-major governmental funds increased by \$ 4,335 to \$ 4,390. The fund balance of the sewer fund decreased by \$ 152,840 to \$ 3,259,062, while the fund balance of the internal service fund increased by \$ 13,012 to \$ 191,954.

General Fund Budgetary Highlights

For the fiscal year ending February 29, 2008, total governmental funds ended the year with a fund balance of \$ 344,128, or a decrease of \$ 3,131 or 1%. Once again, income in the General Fund was over-budgeted by \$ 11,816 – however; spending was \$ 71,702 less than the amended budget, leaving budgetary fund balance in the General Fund of \$ 59,886.

Management's Discussion and Analysis – Continued

Capital Asset & Debt Administration

The greatest portion of the Village's total assets and debt are in the enterprise/sewer fund. Total net assets of the sewer fund decreased from \$ 3,411,265 to \$ 3,259,062, due in large part to the completion of the sewer lagoon upgrade. Total debt for the sewer, not counting interest, is \$ 1,223,000. During the fiscal year '06 -'07, the Village retired the 1973 and 1976 sewer bond debt in full. In addition, the Improvement and Replacement Restricted Reserves required by the revenue bonds stands at \$ 71,201.

Economic Factors & Next Year's Budget & Rates

The FARR Center floor underwent major sanding and refinishing and new blinds were added to all the windows. A new furnace and air conditioner were installed in the building. In the near future, the FARR Center will need a new roof with some major changes to the flat portion of the roof.

Three plastic playground animals were added to the west end of the FARR Center lot and in the near future, sand and some new playground equipment may also be added.

The Village has decided not to sell the extra irrigation site land because Onekama Township is getting a bid push from numerous residents to install a sewer system. The Village has also contacted Portage Point Inn about joining the Village sewer system.

The Village sewer system is in need of major updating as it is over thirty years old and replacement parts are becoming harder to find. New parts have to be retrofitted to work with the outdated equipment. Tree roots are becoming a major problem. There has also been the need for more repairs on the sewer lines than ever before.

Storm drains are undergoing their yearly cleaning. They are being cleaned with a new electric sewer snake that was purchased. This should result in getting quite a bit more cleaned for the same amount of money that is normally spent on sewer cleaning.

A sand, salt and beet juice mixture to be used on the roads will be ordered for the coming winter. This mixture should reduce the volume of sand that ends up in the sewer drains.

A new four wheel drive truck has been purchased for the maintenance and plowing of streets. The Village is currently looking for a sander that will fit the truck.

In December 2008, the Village will hear about the purchase of four lots east of the FARR Center. The Village is hoping to get more grants as the budget is stretched about as far as it can go. The Village is making an effort not to have to raise millage, but increasing prices are making it harder to pay the bills and continue to offer the usual services to residents.

Contacting the Village's Managements

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at:

Village of Onekama
5283 Main Street
Onekama, Michigan 49675
(231) 889-3171

VILLAGE OF ONEKAMA
GOVERNMENTAL WIDE STATEMENTS OF NET ASSETS
FEBRUARY 29, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 369,018	\$ 59,813	\$ 428,831
Restricted cash	-	71,201	71,201
Internal balances	47,448	(47,448)	-
Due from other governments	24,573	-	24,573
Accounts receivable	-	8,038	8,038
Inventories	-	2,029	2,029
Total Current Assets	<u>\$ 441,039</u>	<u>\$ 93,633</u>	<u>\$ 534,672</u>
Non-Current Assets			
Capital assets	\$ 362,515	\$ 4,409,681	\$ 4,772,196
Total Non-Current Assets	<u>\$ 362,515</u>	<u>\$ 4,409,681</u>	<u>\$ 4,772,196</u>
<u>Total Assets</u>	<u><u>\$ 803,554</u></u>	<u><u>\$ 4,503,314</u></u>	<u><u>\$ 5,306,868</u></u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 3,618	\$ 8,657	\$ 12,275
Accrued interest payable	-	7,372	7,372
Deferred revenue	-	2,100	2,100
Payroll taxes payable	1,724	-	1,724
Current portion of non-current liabilities	-	2,000	2,000
Total Current Liabilities	<u>\$ 5,342</u>	<u>\$ 20,129</u>	<u>\$ 25,471</u>
Non-Current Liabilities			
Bonds payable	\$ -	\$ 1,221,000	\$ 1,221,000
<u>Total Liabilities</u>	<u><u>\$ 5,342</u></u>	<u><u>\$ 1,241,129</u></u>	<u><u>\$ 1,246,471</u></u>
<u>NET ASSETS</u>			
Invested In capital assets - net of debt	\$ 362,515	\$ 3,186,681	\$ 3,549,196
Restricted	-	71,201	71,201
Unrestricted	435,697	4,303	440,000
Total Net Assets	<u>\$ 798,212</u>	<u>\$ 3,262,185</u>	<u>\$ 4,060,397</u>
<u>Total Liabilities and Net Assets</u>	<u><u>\$ 803,554</u></u>	<u><u>\$ 4,503,314</u></u>	<u><u>\$ 5,306,868</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

		Net (Expense) Revenue and Changes in Net Assets				
		Primary Government				
<u>Functions/Programs</u>		Program Revenue		Capital		Total
		Charge for Services	Operating Grants and Contributions	Grants and Contributions	Business-Type Activities	
	<u>Expenses</u>					
Primary government:						
General government	\$ 75,601	\$ 4,072	\$ -	\$ -	\$ (71,529)	\$ (71,529)
Public safety	1,416	235	-	-	(1,181)	(1,181)
Public works	104,829	-	-	-	(104,829)	(104,829)
Community and economic development	9,690	-	-	-	(9,690)	(9,690)
Recreation and cultural	18,656	-	-	-	(18,656)	(18,656)
Other	-	-	-	-	-	-
Total Governmental Activities	\$ 210,192	\$ 4,307	\$ -	\$ -	\$ (205,885)	\$ (205,885)
Business-Type Activities:						
Sewer	\$ 296,349	\$ 136,162	\$ -	\$ -	\$ (160,187)	\$ (160,187)
General Revenues:						
Property taxes		\$ 99,089	\$ -	\$ -	\$ 99,089	
State-shared revenues		101,191	-	-	101,191	
Miscellaneous		3,953			6,490	10,443
Unrestricted investment earnings		8,700			3,980	12,680
Rent and royalty income		14,410			-	14,410
Transfers		-			-	-
Total General Revenues and Transfers		\$ 227,343			\$ 10,470	\$ 237,813
Changes in Net Assets						
		\$ 21,458			\$ (149,717)	\$ (128,259)
Net assets - beginning of year		\$ 776,754			\$ 3,411,902	\$ 4,188,656
Net Assets - End of Year		\$ 798,212			\$ 3,262,185	\$ 4,060,397

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ONEKAMA
GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 29, 2008**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash	\$ 200,815	\$ 24,562	\$ 46,458	\$ 6,465	\$ 278,300
Due from other funds	57,263	-	730	-	57,993
Due from Other Governments	16,028	5,653	2,892	-	24,573
Total Assets	<u>\$ 274,106</u>	<u>\$ 30,215</u>	<u>\$ 50,080</u>	<u>\$ 6,465</u>	<u>\$ 360,866</u>
<u>Liabilities</u>					
Accounts payable	\$ 2,936	\$ 33	\$ 67	\$ 16	\$ 3,052
Due to other funds	867	3,288	5,748	2,059	11,962
Payroll taxes payable	1,724	-	-	-	1,724
Total Liabilities	<u>\$ 5,527</u>	<u>\$ 3,321</u>	<u>\$ 5,815</u>	<u>\$ 2,075</u>	<u>\$ 16,738</u>
<u>Fund Balance</u>					
Unreserved	\$ 268,579	\$ 26,894	\$ 44,265	\$ 4,390	\$ 344,128
Total Fund Balance	<u>\$ 268,579</u>	<u>\$ 26,894</u>	<u>\$ 44,265</u>	<u>\$ 4,390</u>	<u>\$ 344,128</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 274,106</u>	<u>\$ 30,215</u>	<u>\$ 50,080</u>	<u>\$ 6,465</u>	<u>\$ 360,866</u>

The notes to the financial statements are an ingetral part of this statement.

VILLAGE OF ONEKAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

Total Fund Balance - Governmental Funds	\$ 344,128
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capitalized assets used in governmental activities are not
financial resources and are not reported in
governmental funds.

Cost of capital assets	\$ 365,352	
Accumulated depreciation	<u>(98,117)</u>	
		267,235

Internal service funds are used by management to charge
the cost of equipment used to individual funds. The assets
and liabilities of the internal service funds are included in
governmental activities in the Statement of Net Assets

<u>186,849</u>

Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 798,212</u>
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes and penalties	\$ 66,977	\$ -	\$ 32,112	\$ -	\$ 99,089
Licenses and permits	235	-	-	-	235
State grants	49,707	32,575	17,190	1,719	101,191
Charges for services	4,072	-	-	-	4,072
Interest and dividends	7,319	495	846	40	8,700
Rents and royalties	14,410	-	-	-	14,410
Miscellaneous	904	-	-	3,049	3,953
Total Revenues	<u>\$ 143,624</u>	<u>\$ 33,070</u>	<u>\$ 50,148</u>	<u>\$ 4,808</u>	<u>\$ 231,650</u>
<u>Expenditures</u>					
Current:					
General government	\$ 67,897	\$ -	\$ -	\$ 8,254	\$ 76,151
Public safety	-	-	-	1,416	1,416
Community and economic development	9,690	-	-	-	9,690
Recreation and cultural	42,695	-	-	-	42,695
Public works	26,654	25,899	52,276	-	104,829
Total expenditures	<u>\$ 146,936</u>	<u>\$ 25,899</u>	<u>\$ 52,276</u>	<u>\$ 9,670</u>	<u>\$ 234,781</u>
<u>Excess of Revenues Over (Under)</u>					
<u>Expenditures</u>	<u>\$ (3,312)</u>	<u>\$ 7,171</u>	<u>\$ (2,128)</u>	<u>\$ (4,862)</u>	<u>\$ (3,131)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers in	\$ -	\$ -	\$ 7,883	\$ 9,197	\$ 17,080
Transfers out	(9,197)	(7,883)	-	-	(17,080)
Total other financing sources (uses)	<u>\$ (9,197)</u>	<u>\$ (7,883)</u>	<u>\$ 7,883</u>	<u>\$ 9,197</u>	<u>\$ -</u>
<u>Excess of Revenues and Other Sources Over (Under)</u>					
<u>Expenditures and Other Uses</u>	<u>\$ (12,509)</u>	<u>\$ (712)</u>	<u>\$ 5,755</u>	<u>\$ 4,335</u>	<u>\$ (3,131)</u>
Fund Balance - Beginning of Year	<u>281,088</u>	<u>27,606</u>	<u>38,510</u>	<u>55</u>	<u>347,259</u>
<u>Fund Balance - End of Year</u>	<u><u>\$ 268,579</u></u>	<u><u>\$ 26,894</u></u>	<u><u>\$ 44,265</u></u>	<u><u>\$ 4,390</u></u>	<u><u>\$ 344,128</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
 RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
 FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED FEBRUARY 29, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ (3,131)
Government funds report outlays for capital assets as expenditures. In the Statement of Activities these assets are depreciated over their estimated useful lives.	
Depreciation	\$ (10,014)
Capital Outlay	<u>24,714</u>
	14,700
Internal Service Funds are used by management to charge the cost of equipment used to individual funds. The net revenue of the internal service funds is reported with governmental activities.	
	<u>9,889</u>
Changes in Net Assets-Governmental Activities	<u><u>\$ 21,458</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
PROPRIETARY FUND STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	<u>Enterprise Fund - Sewer Fund</u>	<u>Governmental Activities - Internal Service Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 59,813	\$ 90,718
Restricted Cash	71,201	-
Receivables	8,038	-
Inventories	2,029	-
Due from other funds	-	7,384
Total Current Assets	<u>\$ 141,081</u>	<u>\$ 98,102</u>
Non-Current Assets:		
Capital Assets	\$ 4,409,681	\$ 95,280
Total Non-Current Assets	<u>\$ 4,409,681</u>	<u>\$ 95,280</u>
Total Assets	<u><u>\$ 4,550,762</u></u>	<u><u>\$ 193,382</u></u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 8,657	\$ 566
Due to other funds	50,571	862
Accrued Interest Payable	7,372	-
Deferred Revenue	2,100	-
Current Portion of Non-Current Liabilities	2,000	-
Total Current Liabilities	<u>\$ 70,700</u>	<u>\$ 1,428</u>
Non-Current Liabilities:		
Bonds Payable	<u>\$ 1,221,000</u>	<u>\$ -</u>
Total Liabilities	<u><u>\$ 1,291,700</u></u>	<u><u>\$ 1,428</u></u>
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	\$ 3,186,681	\$ 95,280
Restricted for Debt Service	71,201	-
Unrestricted	1,180	96,674
Total Net Assets	<u>\$ 3,259,062</u>	<u>\$ 191,954</u>
Total Liabilities and Net Assets	<u><u>\$ 4,550,762</u></u>	<u><u>\$ 193,382</u></u>
Total Net Assets		
	\$ 3,259,062	\$ 191,954
Adjustments to reflect the consolidation of internal service fund activities related to the enterprise fund - current year	3,123	(3,123)
- prior years	<u>-</u>	<u>(1,982)</u>
Net Assets of Business-Type Activities	<u><u>\$ 3,262,185</u></u>	<u><u>\$ 186,849</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET
ASSETS FOR THE YEAR ENDED FEBRUARY 29, 2008

	Enterprise Fund - Sewer Fund	Governmental Activities - Internal Service Fund
<u>Operating Revenues</u>		
Charges for services	\$ 136,161	\$ 51,041
<u>Operating Expenses</u>		
Personal services	\$ 21,242	\$ 2,401
Professional services	8,031	-
Utilities	20,622	3,458
Repairs and maintenance	78,889	11,785
Equipment rental	12,363	-
Other supplies and expenses	9,053	12,567
Depreciation	103,601	8,506
Total operating expenses	\$ 253,801	\$ 38,717
Operating income (loss)	\$ (117,640)	\$ 12,324
<u>Non-Operating Revenues (Expenses)</u>		
Other income	\$ 6,490	\$ -
Interest income	3,980	688
Interest expense	(45,670)	-
Total non-operating revenue (expense)	\$ (35,200)	\$ 688
Income (loss) before transfers	\$ (152,840)	\$ 13,012
Transfers in	\$ -	\$ -
Change in Net Assets	\$ (152,840)	\$ 13,012
Total Net Assets - Beginning of Year	3,411,902	178,942
Total Net Assets - End of Year	\$ 3,259,062	\$ 191,954
Changes in net assets	\$ (152,840)	\$ 13,012
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	3,123	(3,123)
Change in Net Assets of Business-Type Activities	\$ (149,717)	\$ 9,889

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
PROPRIETARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Enterprise Fund - Sewer Fund	Governmental Activities - Internal Service Fund
<u>Cash Flows From Operation Activities</u>		
Receipts From Customers	\$ 139,670	\$ -
Cash Receipts from Interfund Services	-	53,366
Payments to Suppliers	(65,085)	(28,618)
Cash Payments for Interfund Services	(13,140)	-
Payments to Employees	(16,837)	(2,230)
Other Receipts (Payments)	6,491	-
Net Cash Provided by Operating Activities	<u>\$ 51,099</u>	<u>\$ 22,518</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Purchase of Capital Assets	\$ (21,018)	\$ (24,015)
Principal and Interest Paid on Capital Debt	(47,683)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>\$ (68,701)</u>	<u>\$ (24,015)</u>
<u>Cash Flows From Investing Activities</u>		
Interest Income	\$ 3,980	\$ 688
Net Cash Provided by Investing Activities	<u>\$ 3,980</u>	<u>\$ 688</u>
<u>Net Increase in Cash and Cash Equivalents</u>	\$ (13,622)	\$ (809)
Cash - Beginning of Year	<u>144,636</u>	<u>91,527</u>
<u>Cash - End of Year</u>	<u>\$ 131,014</u>	<u>\$ 90,718</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Onekama conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Onekama. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 1 - Summary of Significant Accounting Policies - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The Village's property tax is levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st.

Although the Village's 2007 ad valorem tax is levied and collectible on July 1, 2007, it is the Village's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 taxable valuation of the Village totaled \$ 16,568,705, on which ad valorem taxes levied consisted of 5 mills for the Village operating purposes. These amounts are recognized in the General Fund financial statements as tax revenue.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street and Local Street Funds account for the resources of state gas and weight tax revenues that are restricted for use on major and local streets.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following fund type:

Internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting issued prior to December 31, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008**

Note 1 - Summary of Significant Accounting Policies - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 1 - Summary of Significant Accounting Policies - continued

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	8 to 15 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. The Village Council approved its' original budgets on February 21, 2007 and then made their final supplemental budgetary appropriations on January 16, 2008.

The Village follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Public hearings are conducted at the Village office to obtain taxpayer comments.
- b. No later than February, the budget is legally enacted through passage of a resolution.
- c. Supplemental appropriations, when required to provide additional expenditures are matched by additional anticipated revenue or an appropriations of available fund balance and must be approved by the Village Council. All appropriations lapse at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund - Zoning	\$ 3,400	\$ 4,360
General Fund - Other Contracted Services	-	78
General Fund - Street Lights	8,800	9,623

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village of Onkama to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village of Onkama is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated five banks for the deposit of the Village funds. The investment policy was adopted by the board in accordance with Public Act 196 of 1997.

At year end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 369,018	\$ 59,813	\$ 428,831
Restricted Cash	-	71,201	71,201
Total	<u>\$ 369,018</u>	<u>\$ 131,014</u>	<u>\$ 500,032</u>

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 – Deposits which are insured or collateralized with securities held by the Village or by its agent in the Village's name.
- Category 2 – Deposits which are collateralized with securities held by the pledging financial institutions's trust department or agent in the Village's name.
- Category 3 – Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the Village's cash deposits are classified as Category 1.

Note 4 - Receivables

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Sewer</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
Accounts Receivable	\$ -	\$ -	\$ -	\$ 8,038	\$ -	\$ 8,038
Intergovernmental	16,028	5,653	2,891	-	-	24,572
Net Receivables	<u>\$ 16,028</u>	<u>\$ 5,653</u>	<u>\$ 2,891</u>	<u>\$ 8,038</u>	<u>\$ -</u>	<u>\$ 32,610</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 5 – Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 107,601	\$ -	\$ -	\$ 107,601
Capital Assets Being Depreciated:				
Buildings	\$ 152,072	\$ -	\$ -	\$ 152,072
Land improvements	28,913	675	-	29,588
Machinery and Equipment	261,564	48,054	-	309,618
Subtotal	\$ 442,549	\$ 48,729	\$ -	\$ 491,278
Less: Accumulated Depreciation for:				
Buildings	\$ (61,703)	\$ (3,810)	\$ -	\$ (65,513)
Land improvements	(6,021)	(3,469)	-	(9,490)
Machinery and Equipment	(150,120)	(11,241)	-	(161,361)
Subtotal	\$ (217,844)	\$ (18,520)	\$ -	\$ (236,364)
Net Capital Assets Being Depreciated	\$ 224,705	\$ 30,209	\$ -	\$ 254,914
Governmental Activities Capital Total:				
Capital Assets - Net of Depreciation	\$ 332,306	\$ 30,209	\$ -	\$ 362,515
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 791,790	\$ -	\$ -	\$ 791,790
Subtotal	\$ 791,790	\$ -	\$ -	\$ 791,790
Capital Assets Being Depreciated:				
Sewer System and Equipment	\$ 4,621,856	\$ 21,018	\$ -	\$ 4,642,874
Less: Accumulated Depreciation for:				
Sewer System	\$ (921,382)	\$ (103,601)	\$ -	\$ (1,024,983)

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 5 – Capital Assets - Continued

Net Capital Assets Being Depreciated:	<u>\$ 3,700,474</u>	<u>\$ (82,583)</u>	<u>\$ -</u>	<u>\$ 3,617,891</u>
Governmental Activities Capital Total:				
Capital Assets - Net of Depreciation	<u>\$ 4,492,264</u>	<u>\$ (82,583)</u>	<u>\$ -</u>	<u>\$ 4,409,681</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 7,279
Recreation and Culture	2,463
Internal Service Fund Depreciation is Charged to the Various Functions Based on Their Usage of the Assets	8,778

Total Governmental Activities:	<u>\$ 18,520</u>
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Business-Type Activities:	<u>\$ 103,601</u>
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Note 6 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
General	Sewer	\$ 52,158
	Cemetery	1,941
	Liquor	118
	Local Street	1,544
	Major Street	640
	Equipment	862
Local Street	Major Street	730
Equipment	General Fund	867
	Major Street	1,918
	Local Street	4,204
	Sewer	396
Total		<u>\$ 65,378</u>

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 6 – Interfund Receivables, Payables, and Transfers - continued

Interfund Transfers

	Transfers (Out)		
	General Fund	Major Street Fund	Total
Transfers In:			
Local Street	\$ -	\$ 7,883	\$ 7,883
Cemetery	9,197	-	9,197
Total	<u>\$ 9,197</u>	<u>\$ 7,883</u>	<u>\$ 17,080</u>

Note 7 - Leases

The Village has entered into contracts with several local oil and gas companies and has leased some park, cemetery, and other properties and portions of streets and alleys to these companies for mineral rights. The Village currently receives oil and gas royalties from these properties.

Note 8 – Long-Term Debt

Bond activity is summarized as follows:

	Interest Rate	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-Type Activities:						
2006A Sewage Bond	3.25 %	\$ 638,000	\$ -	\$ (1,000)	\$ 637,000	\$ 1,000
2006B Sewage Bond	4.25 %	587,000	-	(1,000)	586,000	1,000
		<u>\$ 1,225,000</u>	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ 1,223,000</u>	<u>\$ 2,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year-End February 28,	Business-Type Activities	
	Principal	Interest
2009	2,000	45,533
2010	2,000	45,458
2011-2015	61,000	222,465
2016-2020	111,000	203,904
2021-2025	128,000	181,429
2026-2030	152,000	155,157
2031-2035	188,000	123,023
2036-2040	268,000	78,707
2041-2045	311,000	23,902
	<u>1,223,000</u>	<u>1,079,578</u>

The Village is in compliance with the bond ordinance's bond reserve requirements.

VILLAGE OF ONEKAMA
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

Note 9 – Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue Bond Restrictions:	
Junior Lien Debt Fund	\$ 11,201
Bond Reserve	<u>60,000</u>
 Total Restricted Assets	 <u>\$ 71,201</u>

Note 10 – Risk Management

The Village is exposed to various risks of loss related to; thefts of, damage to, and destructions of assets; errors and omissions; injuries to employees; and natural disasters. The Village is insured through the Michigan Township Participating Plan which is a public risk pool currently operating as a common risk management and insurance program for Michigan Municipalities. The Village pays an annual premium to the Michigan Township Participating Plan for its insurance coverage. The Village has general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate. Property insurance provides for a \$100 deductible. Settled claims have not exceeded their coverage in any of the past years.

Note 11 – Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF ONEKAMA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of year fund balance	\$ 281,088	\$ 281,088	\$ 281,088	\$ -
<u>Resources (Inflows)</u>				
Taxes and penalties	\$ 77,900	\$ 77,900	\$ 66,977	\$ (10,923)
Licenses and permits	300	300	235	(65)
State grants	50,835	50,835	49,707	(1,128)
Charges for services	1,060	1,500	4,072	2,572
Interest and dividends	4,000	6,500	7,319	819
Rents and royalties	12,500	14,900	14,410	(490)
Miscellaneous	-	905	904	(1)
Refunds and rebates	1,000	1,000	-	(1,000)
Library/Rent and utilities	1,600	1,600	-	(1,600)
Amounts available for appropriation	\$ 149,195	\$ 155,440	\$ 143,624	\$ (11,816)
<u>Charges to Appropriations (Outflows)</u>				
General government:				
Village council	\$ 30,300	\$ 36,375	\$ 24,611	\$ 11,764
Elections	-	-	-	-
Clerk	14,050	14,060	13,062	998
Treasurer	6,700	6,700	5,116	1,584
Building and grounds	23,550	26,445	25,108	1,337
Community and economic development:				
Zoning	1,820	19,785	5,330	14,455
Planning	2,600	3,400	4,360	(960)
Recreation and cultural:				
Park facilities	23,600	44,280	42,695	1,585
Other:				
Public works wages	20,000	25,000	7,363	17,637
Liquor control wages	1,310	1,310	-	1,310
Payroll taxes	5,000	5,000	2,341	2,659
Insurance	7,000	7,050	3,651	3,399
Miscellaneous	2,500	2,805	2,804	1
Other contracted services	-	-	78	(78)
Utilities	300	825	794	31
Street lights	8,500	8,800	9,623	(823)
Transfers out:				
Local street fund	16,000	16,000	-	16,000
Cemetery fund	10,000	10,000	9,197	803
Total charges to appropriations	\$ 173,230	\$ 227,835	\$ 156,133	\$ 71,702
Budgetary Fund Balance - End of Year	\$ 257,053	\$ 208,693	\$ 268,579	\$ 59,886

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 27,606	\$ 27,606	\$ 27,606	\$ -
<u>Resources (Inflows)</u>				
State grants	\$ 34,050	\$ 34,050	\$ 32,575	\$ (1,475)
Interest	500	500	495	(5)
Amounts available for appropriation	<u>\$ 34,550</u>	<u>\$ 34,550</u>	<u>\$ 33,070</u>	<u>\$ (1,480)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public works:				
Highways and streets	\$ 30,312	\$ 34,287	\$ 25,899	\$ 8,388
Transfers out:				
Local street fund	<u>8,238</u>	<u>8,238</u>	<u>7,883</u>	<u>355</u>
Total charges to appropriations	<u>\$ 38,550</u>	<u>\$ 42,525</u>	<u>\$ 33,782</u>	<u>\$ 8,743</u>
Budgetary Fund Balance - End of Year	<u>\$ 23,606</u>	<u>\$ 19,631</u>	<u>\$ 26,894</u>	<u>\$ 7,263</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 38,510	\$ 38,510	\$ 38,510	\$ -
<u>Resources (Inflows)</u>				
Taxes and penalties	\$ 16,000	\$ 32,115	\$ 32,112	\$ (3)
State grants	17,980	17,980	17,190	(790)
Interest	400	805	846	41
Transfers in:				
Major street fund	8,238	8,238	7,883	(355)
Amounts available for appropriation	<u>\$ 42,618</u>	<u>\$ 59,138</u>	<u>\$ 58,031</u>	<u>\$ (1,107)</u>
<u>Charges to Appropriations (Outflows)</u>				
Public works:				
Highways and streets	<u>\$ 43,208</u>	<u>\$ 57,243</u>	<u>\$ 52,276</u>	<u>\$ 4,967</u>
Total charges to appropriations	<u>\$ 43,208</u>	<u>\$ 57,243</u>	<u>\$ 52,276</u>	<u>\$ 4,967</u>
Budgetary Fund Balance- End of Year	<u><u>\$ 37,920</u></u>	<u><u>\$ 40,405</u></u>	<u><u>\$ 44,265</u></u>	<u><u>\$ 3,860</u></u>

The notes to the financial statements are an integral part of this statement.

ADDITIONAL INFORMATION

VILLAGE OF ONEKAMA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FEBRUARY 29, 2008

	<u>Liquor Fund</u>	<u>Cemetery Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 2,690	\$ 3,775	\$ 6,465
Total Assets	<u>\$ 2,690</u>	<u>\$ 3,775</u>	<u>\$ 6,465</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 16	\$ 16
Due to other funds	118	1,941	2,059
Total Liabilities	<u>\$ 118</u>	<u>\$ 1,957</u>	<u>\$ 2,075</u>
<u>FUND BALANCE</u>			
Unreserved	\$ 2,572	\$ 1,818	\$ 4,390
Total fund balance	<u>\$ 2,572</u>	<u>\$ 1,818</u>	<u>\$ 4,390</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 2,690</u>	<u>\$ 3,775</u>	<u>\$ 6,465</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ONEKAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Liquor Fund</u>	<u>Cemetery Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues</u>			
State grants	\$ 1,719	\$ -	\$ 1,719
Charges for services	-	-	-
Interest	17	23	40
Miscellaneous	-	3,049	3,049
Total Revenues	<u>\$ 1,736</u>	<u>\$ 3,072</u>	<u>\$ 4,808</u>
<u>Expenditures</u>			
General government	\$ -	\$ 8,254	\$ 8,254
Public safety	1,416	-	1,416
Total Expenditures	<u>\$ 1,416</u>	<u>\$ 8,254</u>	<u>\$ 9,670</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ 320</u>	<u>\$ (5,182)</u>	<u>\$ (4,862)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$ -	\$ 9,197	\$ 9,197
Transfers out	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 9,197</u>	<u>\$ 9,197</u>
<u>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>\$ 320</u>	<u>\$ 4,015</u>	<u>\$ 4,335</u>
<u>Fund Balance - Beginning of Year</u>	<u>2,252</u>	<u>(2,197)</u>	<u>55</u>
<u>Fund Balance - End of Year</u>	<u><u>\$ 2,572</u></u>	<u><u>\$ 1,818</u></u>	<u><u>\$ 4,390</u></u>

The notes to the financial statements are an integral part of this statement.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Onekama
Onekama, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Onekama, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village of Onekama, Michigan's basic financial statements and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Onekama, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Onekama, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Onekama, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Onekama, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Onekama, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Onekama, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Onekama, Michigan's internal control.

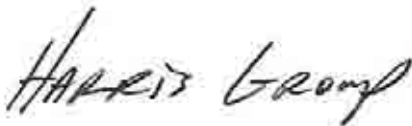
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Onkama, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below:

The Village was in noncompliance with its operating budget for the General Fund.

This report is intended solely for the information and use of management, Village Council, others within the entity, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "HARRIS Group".

September 22, 2008



HARRIS GROUP

Certified Public Accountants

September 22, 2008

To the Village Council
Village of Onekama

We have audited the financial statements of Village of Onekama for the year ended February 29, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 2, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Onekama are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Village Council and management of Village of Onekama and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "HARRIS GROUP". The signature is written in a cursive, flowing style.

Certified Public Accountants